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# How Thirsty Is the Russian The Great G Oil Blunder

WASHINGTON, D.C.—On May 17 of this year, Secretary of Defense Caspar Weinberger was asked on "Meet the Press" for the Reagan administration's rationale for selling the highly advanced AWACS radar planes to Saudi Arabia, over the passionate objections of the Israelis and their supporters in the United States.

Weinberger, himself deeply committed to the sale, replied: "[The AWACS's] principal use, and the principal reason the administration is supporting the sale to the Saudis, is that it would enable them to oversee and look much further into the invasion routes of Iran and Iraq and Afghanistan, where a possible Soviet thrust to the oilfields may come. With the Soviets going to be an energy importing nation in a few years, I think that is an essential capability to have."

But even as Weinberger once again invoked the specter of an oil-starved Soviet Union plunging towards the Gulf, he was well aware that not only had his own Defense Intelligence Agency long disputed this scenario, but that the Central Intelligence Agency was in the process of confessing to one of the most egregious failures of intelligence analysis of recent times, in its own estimate of Soviet energy needs in this decade.

Earlier that week CIA analyst James Noren had disclosed in a seminar at Harvard that the CIA had prepared a new report conceding that the Soviet Union would have no need to import oil by the mid-1980s. Two days after Weinberger's appearance on Meet the Press, Bernard Gwertzman reported Noren's remarks and the existence of the new CIA estimates in *The New York Times* for May 19.

Thus disappeared one of the major rhetorical planks of the Reagan-Haig foreign policy. For both the present administration and indeed its predecessor had proposed an im

the Rapid Deployment Force and a U.S. military buildup in the Gulf region and the Indian Ocean. This view went almost undisputed throughout the 1980 election campaign, even though it seems that by the fall of last year the CIA was well aware that the predictions on which this view was based were ludicrously wrong.

## Birth of a Blunder

The CIA's blunders began to circulate in 1977. In that year the Agency's Office of Economic Research issued a series of reports that amounted to major modifications of intelligence estimates of Soviet economic trends. In a report called "Prospects for Soviet Oil Production," the Agency predicted that Soviet oil output would start to fall by the late 1970s or early 1980s and that this drop could slow the growth of total energy production. "More pessimistically," the CIA said, "the USSR will itself become an oil importer." The report added that during the 1980s the Soviet Union might find itself unable to sell oil abroad, notably to its Eastern European clients, and would therefore have to compete for OPEC oil for its own use.

In a broader assessment the Agency concluded that the rate of growth of Soviet GNP was likely to decline by the early and mid-1980s to between 3 and 3.5 per cent per annum and could even sink as low as 2 per cent. This view was partly based on predictions of worsening problems in the energy sector.

Not everyone agreed with this dire estimate, which was instantly seized upon by the arms lobby as further justification for a major U.S. defense buildup, battling a presumed Soviet grab for new sources of oil. The Defense Intelligence Agency flatly dissented. And a major rebuttal came from the Joint Economic Committee in Congress, in March 1978.

This rebuttal took the form of a staff study by Richard F. Kaufman, the com-

• Not only was the Soviet Union the world's largest producer of crude oil at the present time, but it had also the largest proven reserves of coal and natural gas. Its oil reserves were probably second only to those of Saudi Arabia, and it continued to make impressive gains in the development of its energy resources.

• In addition to supplying its own needs and those of Eastern Europe, Soviet energy exports to the West were on the increase, with oil exports worth \$5 billion in 1976.

• The boom in oil and gas-pipeline construction in the Soviet Union suggested that the country was giving high priority to the energy sector. The Soviets had built 5000 miles of pipeline in 1976 and 10,000 miles in 1977.

• The hard currency earned from oil sales to the West and the influence gained from sales to Eastern Europe were too important to Moscow to be lost by default: "Soviet leaders will probably take the policy initiatives necessary to preserve the USSR's status as a net oil importer. Possible new actions include major increased investment in the energy sector, substitution of natural gas and other energy sources for oil, and conservation."

## The Blunder Reversed

Kaufman's assessment made little or no dent in the Washington consensus. The Soviet move into Afghanistan was seen, in the worsening cold war climate of late 1979 and early 1980 as but the prelude to more far-reaching incursions, all climaxing in an assault on the Middle Eastern oil jugular to the West.

In mid-1980 Senator William Proxmire held closed hearings in which he asked the DIA and the CIA for their latest views on Soviet oil production. A sanitized version of these hearings has now been released.

Frank Doe of the DIA put his agency's